



Issues in Canada-US Bilateral Economic Integration

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Background/Introduction

Canada's relationship with the United States

a) Mutual Recognition Agreements: Do It Only Once

The regulatory approaches and regimes of Canada and the US are similar, and in cases of products that are shipped from one country to the other, many tests and certifications actually duplicate one another.

Streamlining of regulations is one area where Canada and the US can make concrete progress. Former Trade Minister Pierre Pettigrew has suggested that Canada and the US should “move to the principles of mutual recognition and the elimination of duplication”. Some of this work is already being done in areas such as pesticides, aviation safety, biotechnology and pharmaceuticals. The House of Commons’ Standing Committee on Foreign Affairs and International Trade has also recommended that the NAFTA partners should “implement mutual recognition schemes for existing regulations”.

The Canadian Chamber fully supports this idea, and urges the federal government to vigorously pursue this approach with the United States and, where possible, with Mexico. In examination of the respective regulatory system, economic efficiency should be the driver. Does an integrated North America still need regulatory systems that duplicate each other? We think not. Nor does having different regulations just because we are different countries necessarily make sense. Currently, this is being explored on a transatlantic basis between both Canada and Europe as well as the US as and Europe so it should be a logical item for Canada-US cooperation.

This does not mean that Canada would automatically adopt US standards nor vice versa. Each country must retain the sovereign right to regulate as it sees fit, and each should be perfectly free to have regulations differing from the other, should it be deemed necessary to do so. But in many cases, the two governments may find it unnecessary to duplicate work. The regulatory system needs to be assessed with an open mind, allowing the authorities of both countries to examine which system can best accomplish the job and provide the best regulatory outcome. This does not mean reducing standards to a lower common denominator. It means simply that where the two governments are collecting essentially the same information or performing virtually the same health or safety test, it makes little sense to collect the same information twice.

The basic goal of a customs union is to encourage goods to flow more freely. In the Canada-US case, this could mean reducing the need for customs inspection at the border (leaving aside security considerations). It would reduce or even eliminate paperwork, uncertainty and costs associated with rules of origin and reduce administrative burdens.

This is not to suggest that a customs union would solve all outstanding trade issues between Canada and the United States. Indeed, no single agreement or institution could ever hope to do so. In terms of tariffs with the outside world, Canada's external tariffs

1. The border agenda is vital in any discussion about potential flash points in economic integration. Since 9/11, operati

not have to be negative – indeed, a strong economic relationship can be seen as giving Canada the freedom to pursue its own needs in other areas.

As economic integration proceeds, finding the balance in these many conflicting areas will not be easy. Moreover, the Canada-US economic relationship will always be asymmetrical. Rather than bemoaning this situation, Canada needs to accept reality, define its core interests and defend them vigorously and strategically.

8. What do deeper Canada-US economic relations mean for Mexico? Would an extended agreement involve just Canada-US, or would Mexico be in the mix as well? Mexico has recently ventured interesting thoughts on greater continentalism involving more coordination on issues by the three countries but the idea has really not flourished.
9. Finally, the economic future of Canada

6. The business community must maximize its linkages with American counterparts in the US to ensure that Canadian priorities, ideas and perspectives are heard throughout the business community. As the engine of economic activity between the two countries, business has a vital role to play in the forward relationship.